

Sayvette

1971 ANNUAL REPORT

Officers

A. Gold, *President and Chief Executive Officer*

N. C. Van Hatten, *Vice-President and General Manager*

F. E. Grimshaw, *Vice-President, Secretary-Treasurer and Comptroller*

F. W. Hodgson, *Chief Accountant, Assistant Secretary-Treasurer*

Directors

Fraser Deacon

C. W. Fraser

A. Gold

W. S. Robertson, Q.C.

B. H. Shelly

N. C. Van Hatten

J. J. Wiley

Operations Executive

A. Gold, *President*

N. C. Van Hatten, *Vice-President and General Manager*

F. E. Grimshaw, *Vice-President, Finance & Administration*

R. M. Gorrie, *Assistant to the General Manager*

Mrs. E. L. Whitteker, *Director of Personnel and Public Relations*

J. Cairol, *Advertising and Sales Promotion Manager*

G. F. Barrow, H. R. Cummings, M. Harold R. Rutherford—
Divisional Merchandise Managers

P. B. White, *Purchasing Agent and Manager Material Handling*

E. F. Bailey, K. W. Cayen, J. L. Chrystal, H. E. Evans, J. E. Floyd, R. I. Gillan, M. Laspa, T. D. Reynolds, Mrs. E. Warner, R. N. Wood—
Store Managers

R. Featherstone, *Security Systems*

Registrar and Transfer Agent

Canada Permanent Trust Company

Auditors

Thorne, Gunn, Helliwell & Christenson

Bankers

The Toronto-Dominion Bank

TO THE SHAREHOLDERS:

Attached are your Company's audited financial statements for the year ended December 25, 1971.

Operating Results:

As forecast in our 1971 mid-year report, operations for 1971 resulted in an improved profit. Net income for the year of \$1,161,684 represents an improvement of \$154,869 over the previous year, for an increase in earnings per share from .31¢ to .36¢. Consolidated sales increased to \$58,200,200 as compared to \$55,759,191 in 1970. Both company retail department sales, and York Trading wholesale sales, increased; whereas Licensee retail sales were down approximately 15% for 1971.

Personnel:

Your Company's profitable operation was achieved despite increasing costs, intense competition, and an uncertain business climate for most of the year. This was possible because of a great team effort by loyal and dedicated personnel.

York Trading Division:

Discount price competition among the large supermarket chains continues to affect adversely the wholesale food business. Our programme to add selected lines of basic general merchandise is designed to compensate for this intense price competition in food both for York and its retail customers.

Expansion Program:

The opening of new department stores in October, 1971, in Waterloo, Barrie and Malton, brings the number of Sayvette stores now in operation to ten. A new store, currently under construction in Windsor, is scheduled to open in October, 1972. Negotiations are continuing for many additional locations to fulfill our previously announced expansion plan.

Outlook:

Poor weather conditions in the first quarter of 1972, plus a renewal of the discount food war, resulted in a consolidated loss of \$251,800 as compared to \$246,900 in 1971. However, an improved trend is foreseen for the balance of the year, due in part to rigid expense control, plus improved sales store for store.

Your Directors are of the opinion the profitable trend achieved in the past few years will continue in 1972.

On behalf of the Board

A. GOLD,
President

SAYVETTE LIMITED

(Incorporated under the laws of Canada)

and subsidiary companies

CONSOLIDATED BALANCE SHEET — DECEMBER 25, 1971

(with comparative figures at December 26, 1970)

ASSETS

	1971	1970
CURRENT ASSETS		
Cash - - - - -	\$ 389,146	\$ 80,015
Accounts receivable - - - - -	1,050,522	1,028,829
Inventories (note 2) - - - - -	9,898,948	7,420,906
Prepaid expenses - - - - -	387,577	234,423
	<u>11,726,193</u>	<u>8,764,173</u>
SECURED LOANS AND ADVANCES - - - - -	94,809	85,869
MORTGAGE RECEIVABLE - - - - -	200,000	
FIXED ASSETS (note 3) - - - - -	3,023,618	3,171,815
DEFERRED CHARGES (note 4) - - - - -	748,737	310,636
	<u>\$15,793,357</u>	<u>\$12,332,493</u>

LIABILITIES

CURRENT LIABILITIES		
Bank advances - - - - -	\$ 1,593,294	\$ 847,751
Accounts payable and accrued liabilities (note 5) - - - - -	5,438,937	3,946,926
Taxes payable - - - - -	371,454	310,173
Principal due within one year on mortgage payable - - - - -	1,648	1,430
	<u>7,405,333</u>	<u>5,106,280</u>
MORTGAGE PAYABLE, less current portion - - - - -		1,648
INTEREST OF MINORITY SHAREHOLDERS in subsidiary company - - - - -	19,144	17,369

SHAREHOLDERS' EQUITY

CAPITAL STOCK (note 6)		
Authorized — 4,000,000 shares without par value		
Issued — 3,232,930 shares - - - - -	10,818,210	10,818,210
DEFICIT - - - - -	2,449,330	3,611,014
	<u>8,368,880</u>	<u>7,207,196</u>
	<u>\$15,793,357</u>	<u>\$12,332,493</u>

Long-term leases (note 7)

Approved by the Board

A. GOLD, *Director*

W. S. ROBERTSON, *Director*

AUDITORS' REPORT TO THE SHAREHOLDERS OF SAYVETTE LIMITED

We have examined the consolidated balance sheet of Sayvette Limited and subsidiary companies as at December 25, 1971 and the consolidated statements of income, deficit and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 25, 1971 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
March 24, 1972

THORNE, GUNN, HELLIWELL & CHRISTENSON
Chartered Accountants

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

YEAR ENDED DECEMBER 25, 1971

7. LONG-TERM LEASES

The aggregate minimum rentals under long-term leases on premises and equipment (extending beyond five years from the balance sheet date) in effect at December 25, 1971 are as follows for each of the periods shown:

Period	
1972 - 1976	\$11,068,000
1977 - 1981	10,775,000
1982 - 1986	9,694,000
1987 - 1991	9,309,000
1992 - 1996	9,179,000
After 1996	4,424,000
	<u>\$54,449,000</u>

Certain of the leases provide for renewal options and/or options to purchase at specified amounts. The rent paid in 1971 under long-term leases was \$1,381,695.

8. GROSS SALES

Included in sales are licensee sales of \$7,520,930 (1970, \$8,801,284); the related costs are included in cost of sales, selling and administrative expenses.

9. INCOME TAXES

Losses of prior years have been applied in reduction of taxes for 1970 and 1971 and the resulting tax reductions are reflected as extraordinary items on the statement of income.

Amounts available to be claimed against taxable income in future years the tax effect of which has not been reflected in the accounts may be summarized as follows:

Tax loss carry forward expiring December 1972	\$ 195,143
Excess of undepreciated capital cost over net book value of depreciable fixed assets	659,742
	<u>854,885</u>
Less deferred charges already claimed	748,737
	<u>\$ 106,148</u>

10. REMUNERATION OF DIRECTORS AND OFFICERS

	1971	1970
Number of directors	7	7
Aggregate remuneration of directors as directors	Nil	Nil
Number of officers	5	5
Aggregate remuneration of officers as officers	\$ 96,796	\$ 98,216
Number of officers who are directors	2	2

CONSOLIDATED STATEMENT OF INCOME

YEAR ENDED DECEMBER 25, 1971 (with comparative figures for 1970)

	1971	1970
Gross sales less returns (note 8) - - - - -	\$58,200,200	\$55,759,191
Cost of sales, selling and administrative expenses other than the undernoted expenses - - - -	56,373,174	54,060,874
	<u>1,827,026</u>	<u>1,698,317</u>
Interest - - - - -	149,753	152,221
Depreciation - - - - -	496,738	410,060
Amortization of deferred charges - - - - -	276,973	129,786
	<u>923,464</u>	<u>692,067</u>
Income before income taxes and extraordinary items - - - - -	903,562	1,006,250
Income taxes - - - - -	463,589	538,435
Income before extraordinary items - - - - -	<u>439,973</u>	<u>467,815</u>
Extraordinary items		
Profit on sale of fixed assets - - - - -	258,211	
Income tax reduction realized on loss carry-forward (note 9) - - - - -	463,500	539,000
	<u>721,711</u>	<u>539,000</u>
Net income for the year - - - - -	<u>\$ 1,161,684</u>	<u>\$ 1,006,815</u>
Earnings per share		
Income before extraordinary items - - - - -	14¢	14¢
Net income for the year - - - - -	<u>36¢</u>	<u>31¢</u>

CONSOLIDATED STATEMENT OF DEFICIT

YEAR ENDED DECEMBER 25, 1971 (with comparative figures for 1970)

	1971	1970
Balance at beginning of year - - - - -	\$ 3,611,014	\$ 4,617,829
Net income for the year - - - - -	<u>1,161,684</u>	<u>1,006,815</u>
Balance at end of year - - - - -	<u>\$ 2,449,330</u>	<u>\$ 3,611,014</u>

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

YEAR ENDED DECEMBER 25, 1971 (with comparative figures for 1970)

	1971	1970
Source of funds		
Operations		
Net income for the year - - - - -	\$ 1,161,684	\$ 1,006,815
Items not involving current funds		
Depreciation - - - - -	496,738	410,060
Amortization of deferred charges - - - - -	276,973	129,786
Other - - - - -	1,775	(15)
Profit on sale of fixed assets - - - - -	<u>(258,211)</u>	
	1,678,959	1,546,646
Proceeds from sale of fixed assets - - - - -	302,518	3,099
Issue of shares - - - - -		2,220
	<u>1,981,477</u>	<u>1,551,965</u>
Application of funds		
Additions to fixed assets - - - - -	392,848	1,179,580
Deferred charges - - - - -	715,074	316,753
Mortgage receivable - - - - -	200,000	
Increase in secured loans and advances - - - - -	8,940	16,403
Reduction in mortgage payable - - - - -	<u>1,648</u>	<u>1,430</u>
	<u>1,318,510</u>	<u>1,514,166</u>
Increase in working capital - - - - -	662,967	37,799
Working capital at beginning of year - - - - -	<u>3,657,893</u>	<u>3,620,094</u>
Working capital at end of year - - - - -	<u>\$ 4,320,860</u>	<u>\$ 3,657,893</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 25, 1971

1. BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts of subsidiaries, Sayvette (Ontario) Limited and York Trading Limited.

2. INVENTORIES

Inventories are stated at the lower of cost and market. Market is defined as selling price less normal gross profit for retail inventories and as net realizable value for wholesale inventories.

3. FIXED ASSETS

	1971			1970
	Cost	Accumulated depreciation	Net	Net
Land	\$ 38,058		\$ 38,058	\$ 65,056
Buildings	445,982	\$ 221,793	224,189	249,625
Fixtures and equipment	3,260,924	1,383,368	1,877,556	2,011,505
Automotive equipment	384,119	294,587	89,532	95,249
Leasehold improvements	1,355,970	561,687	794,283	750,380
	<u>\$5,485,053</u>	<u>\$2,461,435</u>	<u>\$3,023,618</u>	<u>\$3,171,815</u>

Fixed assets are being depreciated on a straight-line basis over their estimated useful life.

4. DEFERRED CHARGES

Deferred charges less amortization :

	1971	1970
(a) New store pre-opening expenses	\$ 173,701	\$ 72,709
(b) Store expansion programme	575,036	237,927
	<u>\$ 748,737</u>	<u>\$ 310,636</u>

- (a) The company amortizes pre-opening expenses of new stores over a twelve month period commencing with the opening of the respective store.
- (b) In connection with the expansion programme which commenced in 1970, the company has incurred certain development and staff-training costs. These costs are being amortized on a straight-line basis at 20% per annum commencing in the year the cost was incurred.

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities is a net amount arising from trade accounts and other current transactions of \$197,202 (1970, \$434,974) payable to affiliated companies.

6. CAPITAL STOCK

Options to employees which may be exercised up to December 31, 1973 are outstanding on 61,850 shares at \$3.70 per share.

Of the outstanding options, 34,550 are for directors and officers. Subsequent to December 25, 1971 a director exercised his option on 15,000 shares.

SAYVETTE LIMITED

SAYVETTE LIMITED

INFORMATION CIRCULAR FOR THE ANNUAL AND SPECIAL GENERAL MEETING OF SHAREHOLDERS

JULY 7, 1972

IMPORTANT. Each shareholder is urged to participate in the meeting in person or by proxy. If you will be unable to attend the meeting in person, please date and sign the proxy which is enclosed herewith and return it in the envelope also enclosed for your convenience. If you are presently uncertain as to your attendance at the meeting, please complete and return proxy now as it may be revoked by you at any time prior to exercise should you later find that you can attend.

This Information Circular is furnished in connection with the solicitation of proxies for use at the Annual and Special General Meeting of Shareholders of Sayvette Limited (the "Company") to be held on Friday, the 7th day of July, 1972, at the time and place and for the purposes set forth in the notice of the said meeting, and any adjournment or adjournments thereof.

SOLICITATION OF PROXIES

The enclosed proxy is being solicited by the management of the Company and the expenses of solicitation of proxies will be borne by the Company. The solicitation will be made primarily by mail. However, the directors, officers and regular employees of the Company may also solicit proxies by telephone, telegram or in person.

REVOCABILITY OF PROXIES

A shareholder who executes and returns the accompanying form of proxy may revoke it by instrument in writing executed by the shareholder or by his attorney authorized in writing or, if the shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized, and deposited either at the head office of the Company at any time up to and including the last business day preceding the day of the meeting or any adjournment thereof, at which the proxy is to be used or with the chairman of such meeting on the day of the meeting, or any adjournment thereof.

SHARES AND SHARE OWNERSHIP

On May 29th, 1972, there were 3,254,455 issued and outstanding shares without par value in the capital of the Company, each carrying the right to one vote. There are no other shares of any class outstanding.

As at May 29th, 1972, George Weston Limited owned beneficially or was deemed to own beneficially 2,220,760 shares of the Company, representing approximately 68.24 % of the outstanding shares of the Company. Of these 2,220,760 shares, 800,000 (representing 24.58 % of the outstanding shares of the Company) were owned by Loblaw Groceterias Co., Limited, a subsidiary of George Weston Limited and 1,224,300 shares (representing 37.62 % of the outstanding shares of the Company) were owned by Food Markets Holdings Limited, a wholly-owned subsidiary of Loblaw Groceterias Co., Limited.

EXERCISE OF DISCRETION BY PROXY

The shares represented by the enclosed proxy will be voted or withheld from voting on any ballot that may be called for. Where the shareholder specifies a choice on the enclosed proxy with respect to any matter to be acted upon the shares shall be voted or withheld from voting in accordance with any specification so made.

In the absence of such specification the shares represented by the enclosed proxy will be voted in the election of directors and the appointment of auditors, and will be voted for the sanction and confirmation of By-law No. 15.

The proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the notice of meeting or other matters which may properly come before the meeting. The proxy will be voted in accordance with such authority. The management is not now aware of any such amendments, variations or other matters.

REMUNERATION OF MANAGEMENT

The aggregate remuneration paid or payable by the Company in respect of its last completed financial year to the directors of the Company as such was nil and to the officers of the Company, as such was \$96,796.

The estimated aggregate cost to the Company in its last completed financial year of all pension benefits proposed to be paid under any normal pension plan in the event of retirement at normal retirement age, directly or indirectly, by the Company to its directors, as such was nil, and to its officers, as such was nil.

On January 28th, 1972, a director exercised his option to purchase 15,000 shares of the Company at \$3.70 per share. On April 10th, 1972, an officer exercised his option to purchase 3000 shares at 3.70 per share. Price range of the Company's Shares in the thirty day periods preceding the dates of purchase, as reported by the Toronto Stock Exchange, were \$4.60—\$4.75, and \$4.75—\$5.36, respectively.

MATERIAL TRANSACTION

Glencairn Management Limited, 5757 Decelles Avenue, Montreal, Quebec, provided management services to the Company at a cost of \$148,000 in 1971. Mr. A. Gold, President and a Director of the Company, is a shareholder and employee of Glencairn Management Limited.

BY-LAW NO. 15

The directors have enacted By-law No. 15, to increase the board from seven to eight directors. This by-law requires confirmation by the shareholders. A copy of the by-law appears below.

ELECTION OF DIRECTORS

The board consists of seven and upon confirmation of the aforesaid by-law will consist of eight directors to be elected annually. The term of office for which each named nominee below is candidate will expire at the next Annual Meeting of Shareholders of the Company or when his successor is elected under the Company's by-laws. **It is the intention of the persons named in the accompanying proxy to vote for the election as directors of each such nominee.** Should any nominee named herein for office of director become unable or unwilling to accept nomination or election, the persons named in the proxy intend to vote for the election in his stead of such other person as the management of the Company may recommend. However, the management of the Company has no reason to believe that any of the nominees will be unable or unwilling to serve if elected to office.

Shareholders executing the form of proxy who do not wish their shares to be voted in the above manner should so indicate in the appropriate place on the form of proxy.

As to each nominee, the following table sets forth certain information as to his principal occupation or employment, the year when he first became a director of the Company and the shares of the Company beneficially owned by him as of May 29th, 1972.

APPOINTMENT OF AUDITORS

The persons named in the accompanying proxy intend to vote for the reappointment of Thorne, Gunn & Co., Chartered Accountants, Toronto, as auditors of the Company at a remuneration to be fixed by the directors. Shareholders executing the form of proxy who do not wish their shares to be voted in this manner should so indicate in the appropriate place on the form of proxy.

Toronto, Ontario,
May 29th, 1972.

BY-LAW NO. 15

being a by-law increasing the number of directors

BE IT ENACTED AND IT IS HEREBY ENACTED as a by-law of SAYVETTE LIMITED (hereinafter called "the Company") as follows:

- (1) The number of the directors of the Company be and it is hereby increased from seven to eight, of which three shall be a quorum for the transaction of business;
- (2) The by-laws of the Company be and they are hereby amended to accord with the foregoing.

ENACTED this 19th day of May, 1972.

WITNESS the Corporate seal of the Company.

A. GOLD
President

C.S.

F. E. GRIMSHAW
Secretary-Treasurer

NOMINEES FOR BOARD OF DIRECTORS

<u>Name</u>	<u>Position held in the Company</u>	<u>Principal Occupation or Employment</u>	<u>Became a Director</u>	<u>Shares of the Company Owned Beneficially</u>
Fraser Deacon	Director	Canadian Life Underwriter, Fraser Deacon and Associates	1970	300
C. W. Fraser	Director	President, York Trading Limited, Grocery Wholesaler	1970	10
A. Gold	President and Director	President, Sayvette Limited, Vice-Chairman, People's Department Stores Ltd.	1967	1,001
G. C. Metcalf	—	Chairman of the Board, Loblaw Groceries Co., Limited	not now a director	1
W. S. Robertson, Q.C.	Director	Partner, Borden, Elliot, Kelley & Palmer, Barristers & Solicitors	1964	250
B. H. Shelly	Director	Vice-President, National Grocers Company, Ltd.	1966	1
N. C. Van Hatten	Vice-President and Director	Vice-President and General Manager, Sayvette Limited	1972	1,250
J. J. Wiley	Director	President, National Grocers Company, Ltd.	1970	1

NOTE

The information as to shares beneficially owned, not being within the knowledge of the Company, has been furnished by the persons named above, individually.